

Message Text

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45

ACTION ARA-10

INFO OCT-01 ISO-00 INT-05 IO-10 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 PA-02 PRS-01 DODE-00 L-03 H-02 PC-05

/119 W

----- 114843

R 301326Z DEC 75

FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WASHDC 8613

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

UNCLAS PORT OF SPAIN 3049

E.O. 11652: N/A

TAGS: EFIN, ENRG, PINT, TD

SUBJECT: NO SURPRISE IN 1976 BUDGET MESSAGE

SUMMARY

THE 1976 BUDGET ANNOUNCED DECEMBER 12 BY PRIME MINISTER (AND MINISTER OF FINANCE) ERIC WILLIAMS CALLS FOR EXPENDITURE OF NEARLY ONE BILLION DOLLARS (ALL FIGURES IN U.S. DOLLARS), ALTHOUGH 40 PERCENT OF THIS WILL BE DEPOSITED IN SPECIAL FUNDS TO FINANCE LONG-TERM DEVELOPMENT PROJECTS. ESTIMATED EXPENDITURE IS BALANCED BY ANTICIPATED REVENUE, THREE QUARTERS OF WHICH COMES FROM INCOME TAXES (LARGELY THE OIL COMPANIES). ALTHOUGH NO TAX RATES WERE INCREASED, CURRENT REVENUE WILL JUMP 60 PERCENT OVER THE ORIGINALLY ESTIMATED FOR 1975, REFLECTING IN PART HIGHER TAX REFERENCE PRICES FOR OIL SET BY GOTT FOLLOWING THE RECENT OPEC PRICE INCREASE. WILLIAMS SAID THAT THE GOTT'S TAX REFERENCE PRICES NOW CONFORM WITH UNCLASSIFIED

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"THE FULL INCREASE OF \$1.05 PER BARREL AGREED UPON BY

OPEC." THE BUDGET SPEECH EXCITED LITTLE CONTROVERSY, AND GENERAL REACTION CAN BE SUMMED UP BY WIDESPREAD COMMENT THAT IT IS A "MERRY CHRISTMAS AND HAPPY ELECTIONS" BUDGET DRAWN UP WITH FORTHCOMING ELECTION CAMPAIGN VERY MUCH IN MIND. END SUMMARY.

1. WILLIAMS PAID TRIBUTE TO OIL REVENUE FOR FINANCING THE REVOLUTION IN GOTT BUDGET EXPENDITURE, WHICH AT \$895 MILLION FOR 1976 IS FOUR TIMES GREATER THAN 1973. TRINIDAD'S ABSORBTIVE CAPACITY IS SUCH THAT THIS TREMENDOUS INCREASE CANNOT BE HANDLED, HOWEVER, THE GOTT WILL DEPOSIT 40 PERCENT OF THIS EXPENDITURE IN SPECIAL FUNDS (MOST OF WHICH WILL BE INVESTED ABROAD) WHICH EVENTUALLY WILL BE USED TO FINANCE ENERGY-RELATED INDUSTRIAL DEVELOPMENT PROJECTS. TWO LARGEST FUNDS ARE THE PETROLEUM DEVELOPMENT FUND, WHICH WILL HAVE RECEIVED \$400 MILLION IN 1974-76 TOWARD A TARGET OF \$1,064 MILLION, AND THE INFRASTRUCTURE FUND, TO WHICH \$165 MILLION WILL BE APPROPRIATED IN 1975-76 OUT OF A TARGET OF \$212 MILLION. GOAL OF PROJECTS TO BE FINANCED BY THE SPECIAL FUNDS IS INDUSTRIAL DIVERSIFICATION AND JOB CREATION.

2. REMAINDER OF BUDGETED EXPENDITURE IS LARGELY UNREMARKABLE; MORE THAN 40 PERCENT OF CURRENT EXPENDITURE GOES TO PAY WAGES AND SALARIES OF CIVIL SERVANTS. GOTT WILL CONTINUE TO SUBSIDIZE COST OF MANY BASIC FOODSTUFFS (FLOUR, EDIBLE OIL, RICE, ETC.) AND GASOLINE IN AN EFFORT TO MITIGATE RISING COST OF LIVING. ONLY "NEW" PROGRAM ANNOUNCED IS A MODEST ROAD CONSTRUCTION AND MAINTENANCE EFFORT, WHICH IS A HARDY PERENNIAL IN GOTT BUDGET MESSAGES. IN ADDITION TO THE SPECIAL FUNDS EARMARKED FOR INDUSTRIAL DEVELOPMENT, ANOTHER \$125 MILLION IS PROPOSED FOR 1976 "DEVELOPMENT PROGRAM" BUT NO DETAILS WERE GIVEN. THIS SUM PRESUMABLY COMPRISES CAPITAL EXPENDITURE FOR ROADS, SCHOOLS, WATER SERVICES ETC. NOT RELATED TO THE INDUSTRIAL INFRASTRUCTURE PROGRAM.

3. ON THE REVENUE SIDE, MOST STRIKING ASPECT IS TREMENDOUS INCREASE IN GOTT OIL REVENUES, FROM \$54 MILLION IN 1973 TO \$500 MILLION IN 1975. IN ITS 1974 BUDGET MESSAGE, GOTT ANNOUNCED IMPOSITION OF TAX REFERENCE PRICES, WHICH UNCLASSIFIED

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HAVE BEEN SET TO KEEP TRINIDAD OIL PRICES ROUGHLY IN LINE WITH OPEC PRICING POLICY. (CORPORATE TAX RATE FOR OIL COMPANIES WAS ALSO INCREASED SLIGHTLY, TO 45.5 PERCENT IN 1974 AND 50 PERCENT IN 1975.) THIS YEAR'S BUDGET MESSAGE ANNOUNCED NO FURTHER RATE INCREASES, BUT DID STATE THAT THE TAX REFERENCE PRICES FOR VARIOUS TYPES OF CRUDE OIL PRODUCED BY TRINIDAD HAVE BEEN INCREASED "TO CONFORM WITH THE RECENT PRICE INCREASE AGREED TO BY OPEC

COUNTRIES," WHICH THE SPEECH REFERS TO AS \$1.05 PER BARREL. THIS INCREASE WILL PROVIDE AN ADDITIONAL \$110 MILLION IN 1976 REVENUE, WHICH MAY WELL BE UNDERSTATED (THE 1975 OIL REVENUE FIGURE CITED ABOVE IS \$140 MILLION GREATER THAN ORIGINALLY ESTIMATED IN THE 1975 BUDGET MESSAGE).

4. AS USUAL, THE 1976 BUDGET MESSAGE BROUGHT NEWS OF SMALL BUT WELCOME TAX REDUCTIONS FOR MOST INDIVIDUALS: SOME PURCHASE TAXES WERE REDUCED, A LAND TRANSFER TAX ELIMINATED, AND THE PERSONAL ALLOWANCE (A BASIC INCOME TAX DEDUCTION) WAS INCREASED, RESULTING IN A SLIGHT ACROSS-THE-BOARD PERSONAL INCOME TAX REDUCTION. THE PM ALSO ANNOUNCED THAT IN RECOGNITION OF INTERNATIONAL WOMEN'S YEAR, WORKING WIVES WILL NOW FILE SEPARATE TAX RETURNS, PERMITTING THEM ALSO TO TAKE THE "PERSONAL ALLOWANCE" DEDUCTION.

5. REACTION TO THE BUDGET SPEECH HAS BEEN MUTED BY THE LACK OF ANY STARTLING ANNOUNCEMENTS THEREIN, AS WELL AS BY THE PRE-CHRISTMAS TIMING OF THE MESSAGE. MOST OPPOSITION POLITICIANS VIEWED THE BUDGET AS A PRE-ELECTION ATTEMPT TO PROVIDE "SOMETHING FOR EVERYONE" AND FOUND FAULT WITH INDIVIDUAL PROVISIONS. INTELLECTUAL-ORIENTED TAPIA LEADER LLOYD BEST (WHO IS AN OPPOSITION SENATOR) CRITICIZED THE BUDGET FOR AVOIDING ISSUE OF EQUITABLE REDISTRIBUTION OF TRINIDAD'S OIL INCOME, AND DECRIED THE MESSAGE AS A "RAG BAG COLLECTION OF SUNDRY PROJECTS AND OPPORTUNIST PROPOSALS". THE BUDGET WAS DESULTORILY DEBATED IN THE HOUSE OF REPRESENTATIVES (WHERE THERE IS VIRTUALLY NO OPPOSITION) ON DECEMBER 18 AND WILL BE CONSIDERED BY THE SENATE (ONLY 4 OPPOSITION MEMBERS) NEXT WEEK. PROMPT APPROVAL IS EXPECTED.

6. DETAILED ANALYSIS WILL BE FORWARDED BY AIRGRAM
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IN JANUARY.
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Message Attributes

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Draft Date: 30 DEC 1975
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Disposition Action: n/a
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Disposition Authority: n/a
Disposition Case Number: n/a
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Disposition Event:
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Document Unique ID: 00
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Margaret P. Grafeld
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